



To: Legislative Fiscal Committee  
From: Holly Lyons, Fiscal Services Division Director  
Dave Reynolds, Senior Legislative Analyst  
Subject: Status of the General Fund Budget  
Date: October 11, 2013

Attached is a document showing the status of the General Fund Budget for FY 2013 and FY 2014, and a preliminary projection for FY 2015.

**Page 1** compares the balance sheet for FY 2013 and FY 2014 at the end of the 2013 Legislation Session to the actual FY 2013 and the revised FY 2014, based on the October 10, 2013, revenue estimate. Note that for FY 2013, revenues exceeded projections \$131.8 million and total net appropriations were \$16.6 million below estimates, resulting in an ending balance of \$927.9 million, which is \$148.4 million more than estimated. In addition, the revised surplus for FY 2014 is estimated at \$895.2 million, which is \$173.9 million more than previously estimated.

**Page 2** shows the Projected Condition of the General Fund budget for FY 2015. **Please note that this is a preliminary projection, and will change after the December Revenue Estimating Conference (REC) meeting, and again after the Governor makes his budget recommendations.** This preliminary projection is intended solely to provide a framework to assist the General Assembly in evaluating budget decisions for the next fiscal year. We feel the report helps to put the latest revenue estimates of the REC into perspective when incorporated into the General Fund balance sheet. In order to complete the projection, the LSA has estimated appropriations based on the following assumptions:

- The FY 2015 appropriations enacted during the 2013 Legislative Session totaling \$5,638.9 million remain unchanged.
- Assumes that the FY 2015 appropriations that were funded at 50% of the FY 2014 levels, are restored to 100%. This is estimated to cost \$1,161.6 million.
- Assumes the FY 2015 built-in and anticipated expenditure increases of \$235.8 million are fully funded.

**Page 3** is a listing of the Estimated Contingent Liabilities for State Tax Credits. This listing is based on information provided by the Department of Revenue in October of 2013. The department updates these estimates on a quarterly basis.

**Page 4** is a schedule of the State's Reserve Funds, and shows that the reserve funds have reached their statutory maximum in FY 2014, and are projected to reach their maximum in FY 2015. The current combined balance in the reserve funds for FY 2014 and FY 2015 is \$649.6 million and \$697.6 million, respectively.

**Page 5** shows the Taxpayer Trust Fund and the Taxpayer Trust Fund Tax Credit Fund. The amount that the Taxpayer Trust Fund can receive in a given fiscal year is limited to \$60.0 million. The balance in the Fund for FY 2014 totals \$120.0 million. This includes the \$60.0 million balance that carried forward from FY 2013 and the additional \$60.0 million credited in FY 2014. Beginning in FY 2014 moneys in the Trust Fund will be used to provide a non-refundable tax credit to qualified individuals for income tax returns filed for tax year 2013 (spring of 2014). The maximum amount of the credit is determined by dividing the funds available in the Taxpayer Trust Fund by the number of taxpayers of the previous tax year. Each taxpayer will be allowed the credit, up to either the tax credit maximum for that year, or the amount of income tax liability, whichever is less. The maximum tax credit for tax year 2013 is estimated to be approximately \$56 per taxpayer.

**Page 6** is the LSA's estimate of the incremental increases and decreases associated with major programs that will likely occur under current law. These incremental changes are commonly referred to as Built-in and Anticipated Expenditures. This estimate is very likely to change between now and the Legislative Session as more information becomes available.

If you have any questions, please feel free to contact me at 515-281-7845 or Dave Reynolds at 515-281-6934.

**State of Iowa**  
**Changes in the FY 2013 and FY 2014 General Fund Budget**  
(Dollars in Millions)

	FY 2013			FY 2014		
	End of Session	Actual	Variance	End of Session	Revised	Variance
<b>Funds Available:</b>						
Receipts	\$ 7,791.1	\$7,888.4	\$ 97.3	\$8,096.2	\$ 7,855.5	\$ - 240.7
Refund (Accrual Basis)	- 861.0	- 830.5	30.5	- 898.0	- 877.0	21.0
School Infrs. Refunds (Accrual)	- 423.7	- 419.2	4.5	- 439.0	- 438.7	0.3
Accruals (Net)	19.8	13.1	- 6.7	11.1	33.3	22.2
Transfers	110.8	117.0	6.2	100.3	122.2	21.9
Revenue Adjustments (2013 Session)	- 0.4		0.4	- 214.1		214.1
Subtotal Receipts	6,636.6	6,768.8	131.8	6,656.5	6,695.3	38.8
Economic Emergency Fund Transfer	572.1	572.1	0.0	540.7	677.7	137.0
<b>Total Funds Available</b>	<b>\$ 7,208.7</b>	<b>\$7,340.9</b>	<b>\$ 131.8</b>	<b>\$7,197.2</b>	<b>\$ 7,373.0</b>	<b>\$ 175.8</b>
<b>Appropriations and Expenditures:</b>						
Enacted Appropriations	\$ 6,222.6	\$6,222.6	\$ 0.0	\$6,490.1	\$ 6,490.1	\$ 0.0
Adjustments to Standing Appropriations	7.9	4.9	- 3.0		2.1 <sup>1/</sup>	2.1
Supplemental/Deappropriations	204.1	204.1	0.0			
<b>Total Appropriations</b>	<b>\$ 6,434.6</b>	<b>\$6,431.6</b>	<b>\$ - 3.0</b>	<b>\$6,490.1</b>	<b>\$ 6,492.2</b>	<b>\$ 2.1</b>
Reversions	- 5.0	- 18.6	- 13.6	- 14.2	- 14.4	- 0.2
<b>Net Appropriations</b>	<b>\$ 6,429.6</b>	<b>\$6,413.0</b>	<b>\$ - 16.6</b>	<b>\$6,475.9</b>	<b>\$ 6,477.8</b>	<b>\$ 1.9</b>
<b>Ending Balance - Surplus</b>	<b>\$ 779.1</b>	<b>\$ 927.9</b>	<b>\$ 148.4</b>	<b>\$ 721.3</b>	<b>\$ 895.2</b>	<b>\$ 173.9</b>

<sup>1/</sup> The appropriation for State Aid to Schools was increased by \$2.1 million to reflect changes in various factors that comprise the school aid formula including: enrollment, property valuations, and special education.

**State of Iowa**  
**Projected Condition of the General Fund Budget**  
(Dollars in Millions)

	<b>Actual FY 2012</b>	<b>Actual FY 2013</b>	<b>Estimated FY 2014</b>	<b>Projected FY 2015</b>
<b>Funds Available:</b>				
Receipts	\$ 7,372.3	\$ 7,888.4	\$ 7,855.5	\$ 8,180.4
Refund (Accrual Basis)	- 820.6	- 830.5	- 877.0	- 889.0
School Infras. Refunds (Accrual)	- 410.6	- 419.2	- 438.7	- 447.0
Accruals (Net)	61.3	13.1	33.3	14.0
Transfers	108.7	117.0	122.2	118.2
Subtotal Receipts	6,311.1	6,768.8	6,695.3	6,976.6
Economic Emergency Fund Transfer	381.4	572.1	677.7	752.7
<b>Total Funds Available</b>	<b>\$ 6,692.5</b>	<b>\$ 7,340.9</b>	<b>\$ 7,373.0</b>	<b>\$ 7,729.3</b>
<b>Expenditure Limitation</b>				<b>\$ 7,659.5</b>
<b>Estimated Appropriations and Expenditures:</b>				
Enacted Appropriations	\$ 5,999.7	\$ 6,222.6	\$ 6,490.1	\$ 5,643.9
Adjustments to Standing Appropriations	10.2	4.9	2.1	
Supplemental/Deappropriations	2.6	204.1		
Restoration of 50% of Operating Budgets				1,161.6
Built-in and Anticipated Increases				235.8
<b>Total Appropriations</b>	<b>\$ 6,012.5</b>	<b>\$ 6,431.6</b>	<b>\$ 6,492.2</b>	<b>\$ 7,041.3</b>
<b>Reversions</b>				
Reversions	- 8.1	- 18.6	- 14.4	- 5.2
<b>Total Reversions</b>	<b>- 8.1</b>	<b>- 18.6</b>	<b>- 14.4</b>	<b>- 5.2</b>
<b>Net Appropriations</b>	<b>\$ 6,004.4</b>	<b>\$ 6,413.0</b>	<b>\$ 6,477.8</b>	<b>\$ 7,036.1</b>
<b>Ending Balance - Surplus</b>	<b>\$ 688.1</b>	<b>\$ 927.9</b>	<b>\$ 895.2</b>	<b>\$ 693.2</b>
<b><i>Under (Over) Expenditure Limitation</i></b>				<b>\$ 618.2</b>

# Estimated Contingent Liabilities for State Tax Credits

(Dollars in Millions)

<b>Tax Credit Program</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b><u>Capped Programs</u></b>			
High Quality Job Program	\$ -10.7	\$ -70.8	\$ -100.1
Historic Preservation and Cultural and Entertainment District Tax Credit	-24.8	-37.7	-39.5
Enterprise Zone Program	-8.7	-32.6	-35.1
Enterprise Zone Program - Housing Component	-5.3	-23.3	-24.5
School Tuition Organization Tax Credit	-7.0	-9.1	-11.6
Renewable Energy Tax Credit	-3.6	-4.6	-9.1
Agricultural Assets Transfer Tax Credit	-2.5	-6.9	-7.9
Endow Iowa Tax Credit	-3.7	-6.3	-6.3
Accelerated Career Education Tax Credit	-4.0	-5.4	-5.4
Venture Capital Tax Credit - Innovation Fund	0.0	0.0	-4.7
Venture Capital Tax Credit - Iowa Fund of Funds	-11.3	-4.0	-4.0
Redevelopment Tax Credit	-0.2	-2.5	-3.7
Custom Farming Contract Tax Credit	0.0	-2.0	-3.0
Venture Capital Tax Credit - Qualified Bus. or Comm.-Seed Capital Fund	-0.2	-1.3	-2.7
Wind Energy Production Tax Credit	-0.8	-2.1	-1.5
Solar Energy System Tax Credit	-0.2	-0.8	-1.3
Film, Television, and Video Project Promotion Program - Awarded	-1.3	-0.4	-0.2
Venture Capital Tax Credit - Venture Capital Funds	-0.2	-0.2	-0.2
Wage-Benefits Tax Credit	-1.4	-0.8	0.0
<b>Total Capped Programs</b>	<b>\$ -86.0</b>	<b>\$ -210.7</b>	<b>\$ -260.7</b>
<b><u>Uncapped Programs</u></b>			
Earned Income Tax Credit	\$ -31.0	\$ -59.5	\$ -62.4
Research Activities Tax Credit	-31.8	-45.8	-47.7
Iowa Industrial New Job Training Program (260E)	-39.7	-49.5	-47.1
Supplemental Research Activities Tax Credit	-8.1	-14.4	-15.5
Tuition and Textbook Tax Credit	-15.0	-14.9	-14.9
Biodiesel Blended Fuel Tax Credit	-7.0	-11.1	-12.6
New Jobs and Income Program	-4.5	-10.6	-8.9
Targeted Jobs Tax Credit from Withholding	-2.4	-6.0	-8.4
Child and Dependent Care Tax Credit	-4.5	-3.3	-3.0
Geothermal Heat Pump Tax Credit	-1.0	-1.9	-2.0
New Capital Investment Program	-0.5	-1.7	-1.7
Ethanol Promotion Tax Credit	-2.9	-1.9	-1.6
E85 Gasoline Promotion Tax Credit	-1.1	-1.4	-1.6
Charitable Conservation Contribution Tax Credit	-0.7	-1.0	-1.1
Early Childhood Development Tax Credit	-0.8	-0.9	-1.0
Volunteer Firefighter and EMS Tax Credit	0.0	-0.9	-0.9
E15 Gasoline Promotion Tax Credit	0.0	-0.1	-0.1
Farm to Food Donation Tax Credit	0.0	0.0	-0.1
<b>Total Uncapped Programs</b>	<b>\$ -151.2</b>	<b>\$ -224.4</b>	<b>\$ -230.1</b>
<b>Tax Credit Program Total</b>	<b>\$ -237.2</b>	<b>\$ -435.1</b>	<b>\$ -490.8</b>

## Notes:

Estimates are based on the Contingent Liabilities Report provided by the Department of Revenue in October 2013.

FY 2013 is based on actual claims made by taxpayers, although the amounts may not reflect the amount of awards issued. The FY 2013 numbers may increase as additional tax credit claims are verified.

The numbers may not equal totals due to rounding.

## State of Iowa Reserve Funds

(Dollars in Millions)

<b>Cash Reserve Fund (CRF)</b>	<b>Actual FY 2012</b>	<b>Actual FY 2013</b>	<b>Estimated FY 2014</b>	<b>Projected FY 2015</b>
<b>Funds Available</b>				
Balance Brought Forward	\$ 341.2	\$ 450.3	\$ 466.8	\$ 487.2
Gen. Fund Appropriation from Surplus	554.6	688.1	927.9	895.2
Intrastate Receipts (credited after close of FY)	0.5	0.0	0.0	0.0
<b>Total Funds Available</b>	<b>\$ 896.3</b>	<b>\$ 1,138.4</b>	<b>\$ 1,394.7</b>	<b>\$ 1,382.4</b>
<b>Appropriations &amp; Transfers</b>				
Appropriations	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
<b>Total Appropriations &amp; Transfers</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>	<b>\$ 0.0</b>
Reversions (credited after close of fiscal year)	3.2			
Excess Transferred to EEF	-449.2	-671.6	-907.5	-859.2
<b>Balance Carried Forward</b>	<b>\$ 450.3</b>	<b>\$ 466.8</b>	<b>\$ 487.2</b>	<b>\$ 523.2</b>
<i>Maximum 7.5%</i>	<i>\$ 446.6</i>	<i>\$ 466.8</i>	<i>\$ 487.2</i>	<i>\$ 523.2</i>
 <b>Economic Emergency Fund (EEF)</b>	 <b>Actual FY 2012</b>	 <b>Actual FY 2013</b>	 <b>Estimated FY 2014</b>	 <b>Projected FY 2015</b>
<b>Funds Available</b>				
Balance Brought Forward	\$ 99.1	\$ 151.0	\$ 144.3	\$ 162.4
Excess from Cash Reserve	449.2	671.6	907.5	859.2
Other Receipts (credited after close of fiscal year)	2.2	0.0	0.0	0.0
<b>Total Funds Available</b>	<b>\$ 550.5</b>	<b>\$ 822.6</b>	<b>\$ 1,051.8</b>	<b>\$ 1,021.6</b>
<b>Appropriations &amp; Transfers</b>				
Excess Transferred to Taxpayer Trust Fund	\$ 0.0	\$ - 60.0	\$ - 60.0	\$ - 60.0
Bond Repayment Fund	0.0	0.0	-116.1	0.0
Transfer to RIIF	0.0	-20.0	0.0	0.0
SF 2071 - MH Property Tax Relief Fund	-7.2	0.0	0.0	0.0
Missouri River Flood Damage	-2.9	0.0	0.0	0.0
Exec Council - Performance of Duty Budget	-7.9	-14.9	-35.6	-34.5
Performance of Duty (Accrual Period Adj)	-0.1	-11.3	0.0	0.0
Excess Transferred to General Fund	-381.4	-572.1	-677.7	-752.7
<b>Balance Carried Forward</b>	<b>\$ 151.0</b>	<b>\$ 144.3</b>	<b>\$ 162.4</b>	<b>\$ 174.4</b>
<i>Maximum 2.5%</i>	<i>\$ 148.9</i>	<i>\$ 155.6</i>	<i>\$ 162.4</i>	<i>\$ 174.4</i>
 <b>Combined Reserve Fund Balances</b>	 <b>Actual FY 2012</b>	 <b>Actual FY 2013</b>	 <b>Estimated FY 2014</b>	 <b>Projected FY 2015</b>
Cash Reserve Fund	\$ 450.3	\$ 466.8	\$ 487.2	\$ 523.2
Economic Emergency Fund	151.0	144.3	162.4	174.4
<b>Total CRF and EEF</b>	<b>\$ 601.3</b>	<b>\$ 611.1</b>	<b>\$ 649.6</b>	<b>\$ 697.6</b>

## Taxpayer Trust Fund

(Dollars in Millions)

	Actual FY 2013	Estimated FY 2014	Projected FY 2015
Funds Available			
Balance Brought Forward	\$ 0.0	\$ 60.0	\$ 0.0
Economic Emergency Transfer	60.0	60.0	60.0
Reversion From Taxpayer Trust Fund Tax Credit Fund	0.0	0.0	31.9
Total Funds Available	<u>\$ 60.0</u>	<u>\$ 120.0</u>	<u>\$ 91.9</u>
Expenditures			
Transfer to Taxpayer Trust Fund Tax Credit Fund	\$ 0.0	\$ 120.0	\$ 91.9
Balance Carried Forward	<u><u>\$ 60.0</u></u>	<u><u>\$ 0.0</u></u>	<u><u>\$ 0.0</u></u>

## Taxpayer Trust Fund Tax Credit Fund

(Dollars in Millions)

	Actual FY 2013	Estimated FY 2014	Projected FY 2015
Funds Available			
Balance Brought Forward	\$ 0.0	\$ 0.0	\$ 0.0
Transfer from Taxpayer Trust Fund (Transfer made in TY 2013)	0.0	120.0	91.9
Total Funds Available	<u>\$ 0.0</u>	<u>\$ 120.0</u>	<u>\$ 91.9</u>
Expenditures			
Transfer to General Fund (Reimb. for payment of tax credits)	\$ 0.0	\$ 88.1	\$ 67.5
Reversion to the Taxpayer Trust Fund		31.9	24.4
Total Expenditures	<u>\$ 0.0</u>	<u>\$ 120.0</u>	<u>\$ 91.9</u>
Balance Carried Forward	<u><u>\$ 0.0</u></u>	<u><u>\$ 0.0</u></u>	<u><u>\$ 0.0</u></u>

**STATE OF IOWA**  
**FY 2015 General Fund Built-in and Anticipated Expenditures**  
(Dollars in Millions)

<b><u>Built-in Changes</u></b>	<b><u>LSA Estimates</u></b>	<b><u>Notes</u></b>
Education - Education Reform (non-School Aid)	\$ 60.0	Estimated amount needed to fully fund costs associated with the education reform enacted in HF 215. Includes \$50.0M for Teacher Leadership Grants and Aid, and \$10.0M for supplemental aid to high-need schools.
Education - K-12 School Foundation Aid	0.0	Included in FY 2015 Approved Budget at \$167.0M.
College Aid - College Work Study Standing	2.8	This standing was not included in the FY 2015 budget.
Education - Child Development/At-Risk Program	0.0	Included in FY 2015 approved budget at \$12.6M.
Education - Nonpublic School Transportation	0.0	Included in FY 2015 approved budget at \$8.6M, same as FY 2014.
College Aid - Iowa Tuition Grant (for profit) Standing	-0.5	The restored base appropriation for FY 2015 is \$0.5M more than the standing appropriation of \$2.0M. This reduction restores the FY 2015 amount to the statutory level.
College Aid - Iowa Tuition Grant (non-profit) Standing	-1.0	The restored base appropriation for FY 2015 is \$1.0M more than the standing appropriation of \$45.5M. This reduction restores the FY 2015 amount to the statutory level.
Human Services - Medical Assistance	123.0	Assumes a 6.4% increase in need due to growth in enrollment, program costs, a 1.0% decline in the FMAP rate, and a reduction of non-General Fund support.
Management - State Appeal Board Claims	0.0	Included in FY 2015 Approved Budget at \$7.1M, \$4.1 more than FY 2014.
Management - Technology Reinvestment Fund	0.0	Included in FY 2015 approved budget at \$17.5M. FY 2014 funded from RIIF.
Natural Resources - Resource Enhancement and Protection Program	0.0	Included in FY 2015 approved budget at \$20.0M. FY 2014 funded from Environment First Fund.
Revenue - Commercial Property Tax Appropriations	0.0	Included in FY 2015 approved budget at \$128.7M.
Revenue - Property Tax Credits	0.0	Included in FY 2015 approved budget at \$209.2M, \$2.5M more than FY 2014.
<b>Total Built-in Changes</b>	<b>\$ 184.3</b>	



**STATE OF IOWA**  
**FY 2015 General Fund Built-in and Anticipated Expenditures**  
(Dollars in Millions)

**Anticipated Expenditure Changes**

Salary Adjustment	\$ 33.7	Includes \$9.0M for Regents and \$24.7M for central state agencies.
Corrections - Staff Additional Prison Beds at Mitchellville	9.2	Estimated remaining amount to open and operate all new buildings at Mitchellville. This funding estimate includes medical personnel, security staff, and treatment staff (counselors, social worker, chaplain, and workforce coordinators) designed to address women's issues to lower recidivism rate.
Corrections - Staff Additional Prison Beds at Ft. Madison	3.7	Estimated amount needed to open and operate the new maximum security prison at Fort Madison.
Corrections – Elimination of One-time Costs	-0.6	The restored FY 2015 appropriation for Ft. Madison Prison and the 8th CBC includes \$0.5M and \$0.1M respectively, in one-time costs needed for new opening of new beds in FY 2014. Funding for these costs are not needed in FY 2015.
Human Services - hawk-i	4.0	Estimated amount needed to cover growth in enrollment and increased cost health care plans.
Human Services - Civil Commitment Unit for Sex Offenders	0.6	Estimated amount to address the anticipated increase in offenders and to cover increased cost of patient care.
Public Safety - Peace Officer Retirement	0.9	Estimated amount needed to cover a scheduled 2.0% increase in the state's contribution to the Peace Officer Retirement System.
Subtotal	<u>\$ 51.5</u>	
<b>Total Expenditure Increases</b>	<b><u>\$ 235.8</u></b>	